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SUBJECT: FARMLAND TO FOREST IN SICHUAN: TIME FOR REEVALUATION?

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CLASSIFIED BY: James Boughner, Consul General, Chengdu,
Department of State.
REASON: 1.4 (b), (d)

¶1. (C) Summary. With an uneasy eye on the province's grain supply, Sichuan authorities are taking another look at the province's "Farmland to Forest Conversion" (tui geng huan lin, or FFC) program, originally implemented in 1999. Although authorities claim that the program has brought substantial benefits to rural communities, concerns persist over loss of arable land, waste of funds, and inequities in the distribution of benefits. Any changes to the program may have an outsized impact on minority areas. And in the end, urbanization may be a far greater threat to farmland than the FFC. End summary.

FORESTRY OFFICIALS: FFC SUCCESSFUL, BUT GRAIN SUPPLY WORRISOME

¶2. (SBU) According to the Sichuan Forestry Bureau, Sichuan became a pilot province for FFC in 1999, and currently ranks third among all Chinese provinces in terms of area covered by the program, with 13 million mu (878,000 hectares, or 2,169,000 acres) supposedly reforested, and 24 million farmers participating. To date, FFC has occurred in three distinct phases: a trial period from 1999-2001, a promotion period from 2002-2005, and a stabilization period from 2006-2007. Originally, farmers were to receive subsidies of cash and grain for two years for conversion of farmland to grassland, five years for conversion of farmland to commercial-use forest, and eight years for conversion of farmland to non-commercial forest.

¶3. (SBU) FFC supposedly brought four principal benefits to rural Sichuan. First, the program helped improve the province's environment through a reduction in soil erosion and landslides, with far less silt supposedly entering the area's waterways. Second, farmers' incomes increased - Bureau representatives claimed that one-third of Sichuan's farmers participate in the program, with FFC subsidies accounting for 12.5 percent of overall rural income (they claimed that this figure reached over 25 percent in minority areas, and 50 percent in Ganzi Prefecture's Litang County). Third, the FFC program supposedly helped stabilize grain production by encouraging farmers to concentrate on more productive lands. Fourth, it helped reduce extreme poverty in remote and mountainous areas.

¶4. (SBU) Now, according to the Forestry Bureau, FFC reforestation has been suspended in Sichuan, although a limited amount of reforestation will continue on uncultivated hills and mountains. However, subsidies for land already converted to

forest under FFC will continue, albeit on a reduced scale: previous nationwide standards called for farmers to receive 230 RMB (USD 30) per mu (0.16 acres) of reforested land; now Sichuan will implement a two-tier system, with 125 RMB (USD 15) per mu going to FFC farmers generally, while farmers in minority areas will receive 230 RMB per mu, plus a 30 RMB (USD 3.95) "supplement" from the provincial government. In addition, the provincial government will establish a special "FFC fund" to improve infrastructure and living conditions in mountainous areas, as well as to assist resettlement of farmers living in extremely poor areas.

15. (SBU) Forestry Bureau officials referred repeatedly to the "red line," meaning the total area of land available for grain production. Noting that China as a whole maintained a 1.8 billion mu (288 million acres) red line, they claimed that Sichuan had its own red line, which they declined to specify. They also noted that in addition to province-wide grain production concerns, FFC farmers were required to maintain 0.5 mu (0.08 acres) in grain production for each member of their households.

16. (SBU) Asked about pressures on Sichuan's farmlands, Forestry Bureau officials admitted that urban expansion and real estate development also played important roles. However, they claimed that such pressures were carefully monitored and regulated by the provincial Land and Natural Resources Management Bureau, and that through a policy known as "take one, create one" (zhai yi, bu yi), real estate developers who took farmland were required to create an equal area of farmland in another area (they provided no explanation of how this policy was implemented or enforced). They also claimed that illegal logging was no threat to FFC lands, since authorities strictly enforced bans on such activities.

ANOTHER VIEW: UNCHECKED PROPERTY DEVELOPMENT THE REAL PROBLEM

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17. (C) In a separate meeting, Sichuan Academy of Social Sciences Rural Economic Research Institute Director Guo Xiaoming provide a somewhat more nuanced view of Sichuan's FFC experience, based on research conducted by his organization. Although he admitted that the FFC had brought positive benefits to the province - environmental improvement, higher rural incomes - he also identified several serious problems.

18. (C) First, said Guo, farmers are very concerned over the end of the subsidy period. With no clear guarantees that payments will continue, he claimed many farmers are planning to convert reforested areas back into farmland in the near future, especially in poorer mountainous and minority areas. Second, according to Guo, FFC payments to date have been simple government subsidies given to rural residents, and have not been used to improve rural infrastructure or living conditions. He identified rural energy supplies as an area badly in need of attention from government planners.

19. (C) Third, the FFC policy has been applied too arbitrarily, with little regard for local conditions. According to national policy, said Guo, any terrain having slopes greater than 25 degrees is eligible for inclusion in FFC. However, much of Sichuan's arable land is in what he called "hilly areas," with slopes greater than 25 degrees, yet still highly usable and even terraced in many cases (he pointed to areas around Nanchong and Suining as examples). As a result, a substantial proportion of FFC payments were going to relatively well-off farmers, while useful farmland was being removed from production. Guo said that the policy needed to be applied more selectively, with an emphasis on more mountainous areas and areas populated by ethnic minorities.

110. (C) For these reasons, Guo felt that a suspension of the policy is reasonable, to give the State Council and provincial

officials an opportunity to reevaluate its implementation. However, he also said that the program needed to be maintained in minority areas, especially Ganzi and Aba Prefectures (Note: both Ganzi and Aba are predominantly Tibetan areas. End note). Guo expressed the opinion that, when reimplemented, the program should be supplemented by vocational training for farmers as well as by the infrastructure spending mentioned above.

¶11. (C) Guo disagreed with the claim that grain safety issues were driving the changes to the FFC program. The biggest threat to grain safety, said Guo, came from unbridled real estate development, which was rapidly claiming the province's best farmland: "The New Socialist Countryside needs to be coordinated with urbanization." In addition, he claimed that 40 percent of Sichuan's farmland was middle to low-yield land, and that farming practices in those areas needed improvement. Asked about pressures on FFC lands from illegal logging, he admitted that such activities existed, and contributed to soil erosion and the silting of the area's rivers.

COMMENT

¶12. (C) The FFC program in Sichuan appears to have had some success in encouraging reforestation and raising rural cash incomes in some areas. With the all-important question of food supply safety at stake, the time has come for a reevaluation of the project, but unfortunately the basic conflict between farmland and rapid urbanization does not yet appear to be addressed. The question appears to be an institutional one, relating to the balancing of interests in a rapidly developing economy -- one more battlefield in Sichuan's efforts to make the New Socialist Countryside a reality.
BOUGHNER